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To: All HOME & CDBG Recipients  
From: IHFA Community Development Department  
Date: February 22, 2002  
**Re: Nonprofit Participation in Single Family FHA Activities**

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**Notice:** FSP-02-07

The Department of Housing and Urban Development (HUD) requires that non-profits offering secondary financing (FHA, VA) meet certain criteria to participate in FHA Single Family activities. The Indiana Housing Finance Authority (IHFA) is sending out the enclosed information to our non-profit grantees currently offering down payment, homebuyer, and lease/purchase assistance to low-income persons.

HUD requires that the enclosed checklist with supporting documentation be submitted to its Atlanta office for approval to participate in Single Family FHA activities. Nonprofits wishing to provide FHA and VA loan products as secondary financing should check the third box on the checklist and supply the required information. This information should be returned as soon as possible to address list below:

Department of Housing and Urban Development  
Atlanta Homeownership Center  
Five Points Plaza  
40 Marietta Street  
Atlanta, Georgia 30303

If you have questions regarding the completion of the checklist or its approval please contact the Atlanta Homeownership Center at (404) 331-5001 ext 2055, or toll free 888-696-4687 ext 2055.

cc: Bill Shaw, U.S. Department of Housing and Urban Development  
John Dorgan, U.S. Department of Housing and Urban Development

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115 W. Washington St.  
Suite, 1350, South Tower  
Indianapolis, IN 46204

(317) 232-7777  
(800) 872-0371  
<http://www.state.in.us/ihfa>



## NONPROFIT APPROVAL CHECKLIST

Please place a check mark next to the activity for which your organization is seeking approval. Use this form as a checklist for your application and include it in your application submission. **Transitional Housing is not acceptable under Single Family Programs.**

- ☐ **The HUD Homes Program** (Applicants seeking approval to purchase HUD Homes must submit the items requested in numbers 1 – 21 below, with the exception of numbers 15 and 18.)
- ☐ **Nonprofit Agencies as Mortgagors** (Applicants seeking approval to serve as mortgagors must submit the items requested in numbers 1 – 17, as well as 20 and 21.)
- ☐ **Secondary Financing** (Applicants seeking approval to provide secondary financing must submit the items requested in numbers 1 – 18 below, with the exception of numbers 2, 13, 14, 15, and 17. Items not required are indicated with an asterisk (\*). Applicants must also respond to number 20. An affordable housing program narrative is not required.)

### Required Nonprofit Agency Information

Name of Organization \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_  
 Zip Code \_\_\_\_\_

Contact Person \_\_\_\_\_  
 Telephone Number \_\_\_\_\_  
 Fax Number \_\_\_\_\_  
 E-mail Address \_\_\_\_\_

To apply for participation in FHA programs, a nonprofit agency must submit the following documentation to the HOC that has jurisdiction over their primary location (see mailing instructions at the end of this checklist):

- ☐ 1. An IRS "Letter of Determination" which verifies approval under Section 501(c)(3) as exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended. The organization must have an effective date of exemption, as defined by

the IRS, under section 501(c)(3) at least two (2) years prior to the HUD nonprofit application date. In addition to the Letter of Determination, a certification signed by an authorized representative of the organization certifying that: the organization's approval for tax exemption has not been modified or revoked by the IRS; that the program activities for which the organization seeks HUD approval to participate in are consistent with the activities and purposes for which the IRS granted tax-exempt status; and that the nonprofit has notified the IRS of any substantial and material changes in its character, purpose, or methods of operation.

- ☐ \*2. A conformed copy of the articles of organization and by-laws, if applicable, of the nonprofit agency. Articles of organization means articles of incorporation, charter, articles of association, constitution, trust instrument, or any other written instrument by which an organization is created. A conformed copy is a copy that agrees with the original and all amendments to it. These documents must be signed and dated by the appropriate persons under applicable state law. The conformed copy of each document must be accompanied by a written declaration signed by an authorized representative of the organization certifying that the copy is a complete and accurate copy of the document.

With respect to an association's articles, the certification must also indicate that two or more individuals, whose names are identified in the articles, have signed. As an alternative to the foregoing declaration, an organization may submit a conformed copy of its articles approved and dated by the appropriate state authority.

- ☐ 3. Certification signed by an authorized representative of the nonprofit agency in the following format certifying that the nonprofit agency has a voluntary Board of Directors.

Required Wording of Certification	
(Name of Nonprofit agency) certifies that the members of its Board of Directors serve in a voluntary capacity and receive no compensation, other than reimbursement for expenses, for their services and the nonprofit agency operates in a manner so that no part of its net earnings is passed on to any individual, corporation, or other entity.	
Print authorized representative's name	
Signature	
Title	Date

**WARNING: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).**

- ☐ 4. A list of all Board members' names, board positions, length of term on board, and each member's term expiration. In addition, information on the Board member's employment must be provided. Submit the name of the organization where employed, position and title of employee, and nature of the organization's business.
- ☐ 5. A list of all principal staff, and resumes for principal management staff of the nonprofit agency. Resumes must demonstrate experience in developing and administering housing programs. STAFF EXPERIENCE DOES NOT RELIEVE THE NONPROFIT ENTITY OF THE REQUIRED TWO YEARS OF ORGANIZATIONAL EXPERIENCE AS DESCRIBED IN ITEM 16.
- ☐ 6. Provide your organization's Federal Employer Identification Number (EIN), any subsidiary organization's EIN, as well as the Social Security number for each voting Board member and salaried and voluntary principal staff.
- ☐ 7. Organizational resolutions delegating signature authority to sign loan applications and/or sales contracts on behalf of the organization. These resolutions must be signed and dated by the appropriate persons under applicable state law and the organization's articles and other governing documents.
- ☐ 8. Evidence of the administrative capability of the applicant to develop and carry out the proposed homeownership program in a reasonable timeframe and a successful manner. Include the past experience of the applicant, if any, in acquisition, rehabilitation, counseling, and/or administration of a homeownership program or other affordable housing programs. Also, include a copy of the nonprofit's Quality Control Plan for monitoring program activities and compliance with FHA requirements. Based on the level of administrative capacity, HUD may limit the number of properties purchased at a discount and/or mortgages insured by FHA.
- ☐ 9. Evidence of financial capacity of applicant to carry out proposed homeownership program, including current, year-end audited financial statements, profit and loss statements, and balance sheets. Based on the level of financial capacity, HUD may limit the number of properties purchased at a discount and/or the number of mortgages insured by FHA.

- ☐ 10. Identification of other business partners, such as Real estate agents, lenders, rehabilitation contractors and consultants providing administrative, financial, and/or management services. Identify the company by name and list staff with whom you will work. Explain the nature and cost of the services, and how the nonprofit exercises control over the consultants.
- ☐ 11. Certification signed by an authorized representative of the organization certifying to HUD that the nonprofit is acting on its own behalf and is not under the influence, control, or direction of any party seeking to derive a profit or gain from the proposed project, such as, but not limited to, a landowner, real-estate broker, banker, contractor, builder, lender or consultant. THE NONPROFIT MUST OVERSEE AND MAINTAIN CONTROL OF THEIR OPERATIONS AND MAKE ALL DECISIONS.

Required Wording of Certification	
<p>I certify that (Name of Nonprofit agency) is acting on its own behalf and is not under the influence, control, or direction of any party seeking to derive a profit or a gain from the proposed project, such as, but not limited to, a landowner, real – estate broker, banker, contractor, builder, lender, or consultant.</p>	
<p>Print authorized representative's name</p>	
<p>Signature</p>	
<p>_____</p> <p>Title</p>	<p>_____</p> <p>Date</p>

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- ☐ 12. Copy of nonprofit agency's most recent approval letter issued by a HUD Office, if available.
- ☐ \*13. Description of the Affordable Housing Program for each local area in which the nonprofit agency intends to be active (see Attachment 2 for narrative format). The Program plan must be resubmitted for approval every two years (with evidence of performance in promoting homeownership).

- ☐ \*14. Board resolution adopting the completed Affordable Housing Program (see Attachment 2). This resolution must be signed and dated by the appropriate persons under applicable state law and the organization's articles and other governing documents.
- ☐ \*15. For participation as a mortgagor, the nonprofit agency must provide evidence of past and current performance of FHA insured loans, including addresses and FHA case numbers, certification of completion for each 203(k) property, date sold, sales price, and full name and telephone number of buyer.
- ☐ 16. Evidence that the nonprofit agency has a minimum of two consecutive years, within the last 5 years, of housing development experience. Hiring of experienced staff does not relieve the nonprofit agency of the experience requirements.
- ☐ \*17. Name, address and contact of any lending institution or bank that has provided financing to the nonprofit.
- ☐ 18. Copies of the mortgage and note used by, or proposed to be used by, the nonprofit agency to secure financing (only required for those nonprofit agencies seeking approval as providers of secondary financing).

*NOTE: Once HUD approval is granted, nonprofit agencies are still required to obtain credit qualification from the lender for each mortgage originated.*

- ☐ \*19. For nonprofits seeking approval to purchase HUD Homes, completed IRS form W-9, Request for Employer Identification Number (EIN) and Certification, and HUD's form SAMS - 1111, Payee Name and Address. These forms are needed to provide the nonprofit with a Name Identification Number (NAID) that is required to bid on REO properties.
- ☐ 20. Photographs of facilities and floor plans.
- ☐ \*21. In the event that a nonprofit is approved to operate a lease-purchase program, copies of the lease with option to buy form used by, or proposed to be used by, the nonprofit in establishing the parameters of these arrangements.

NOTE: To be approved for this activity, nonprofits must adequately explain and document the conditions justifying the need for a lease-purchase arrangement, as opposed to an immediate sales program.

On a separate sheet of paper, *please include the following*: I certify that the information submitted in response to the "Application and/or Recertification Package" is accurate.

Name of Authorized Nonprofit Agency Representative

Signature

Date

WARNING: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).

REMINDER: All documents provided should be either original documents or noted as true and certified copies of originals.

#### **Recertification Requirements**

If the nonprofit agency is seeking recertification of a previous approval they must provide, in addition to Items 1-21 above, a detailed description of the activities undertaken during their period of approval. Utilize the format established in Attachment (5).

#### **Mailing Instructions and Information Requests**

Once the application package has been completed, nonprofits must submit all application materials, including the affordable housing program (except nonprofits applying for approval to provide secondary financing), to the HOC listed below that has jurisdiction over their primary location:

**Atlanta HOC jurisdiction:**  
Department of Housing and Urban Development  
Atlanta Homeownership Center  
Five Points Plaza  
40 Marietta Street  
Atlanta, Georgia 30303

ATTN: Program Support Division; Nonprofit Approvals

For additional information from the Atlanta HOC regarding the completion of the application or to check the status of an application approval, please call (404) 331-5001, ext. 2055, or toll free 1-888-696-4687 ext. 2055

<b>Mailing Instructions and Information Requests (Continued)</b>
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**Denver HOC jurisdiction:**

Department of Housing and Urban Development  
Denver Homeownership Center, Wells Fargo Tower North  
633 17<sup>th</sup> Street  
Denver, CO 80202-3607  
ATTN: Program Support Division, Nonprofit Approvals

For additional information from the Denver HOC regarding the completion of the application or to check the status of an application approval, please call (303) 672-5216, or toll-free 1-800-543-9378.

**Philadelphia HOC jurisdiction:**

Department of Housing and Urban Development  
Philadelphia Homeownership Center  
100 Penn Square East  
Philadelphia, PA 19107  
ATTN: Program Support Division, Nonprofit Approvals

For additional information from the Philadelphia HOC regarding the completion of the application or to check the status of an application approval, please call (215) 656-0516, or toll-free 1-800-440-8647.

**Santa Ana HOC jurisdiction:**

Department of Housing and Urban Development  
160 N. Stone Avenue  
Tucson, AZ 85701  
Attention: Nonprofit Team

For additional information from the Santa Ana HOC regarding the completion of the application or to check the status of an application approval, please call (520) 670-6237, or toll-free 1-888-827-5605.



## Affordable Housing Program Format

The Affordable Housing Program is a critical element of the nonprofit agency's application. In essence, an Affordable Housing Program is a proposal that describes the activities to be undertaken by an applicant, and the geographic areas to be served. Participation in the HUD Home Sales Discount Program requires that your geographic area be designated by zip code(s).

Unlike the application for approval, a separate **Affordable Housing Program** must be submitted to every HOC with jurisdiction over the geographic areas in which the nonprofit agency wishes to do business. For example, if a nonprofit agency in Georgia wishes to do business in Los Angeles, California and Atlanta, Georgia, the nonprofit must be approved by the Atlanta HOC specifically, although the approval will be recognized by all the HOCs. However, both the Atlanta and Santa Ana HOCs must review and approve the Affordable Housing Program for their respective jurisdictions.

**IMPORTANT:** Conflicts of interest: No person who is an employee, officer, or elected or appointed official of the nonprofit agency or who is in a position to participate in a decision making process pursuant to the affordable housing plan or gain inside information with regard to the lease or purchase of the property pursuant to the affordable housing plan may obtain a personal or financial interest or benefit from the purchase of the property, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for himself or herself, or for those with whom he or she has family or business ties, during his or her tenure or for one year thereafter.

A nonprofit must adhere to its Affordable Housing Program, which will consist of responses to the questions outlined below. If, at some point in the future, a nonprofit wants to engage in activities outside the scope of their Affordable Housing Program, they must first submit, for approval, an updated/revised Affordable Housing Program to the appropriate HOC(s).

An acceptable Affordable Housing Program will address all applicable items below for each geographic area in which a nonprofit will be operating (brief, vague responses to items will not be acceptable and may delay processing of your application). Submit responses to the following items, in the order that they appear in this attachment, and in a format whereby the relevant question appears with its respective answer.

1. Identify the area in which you propose to administer your homeownership program; provide FHA with the names of cities, towns, or counties, and the relevant zip codes of the areas you will cover.

2. What is your nonprofit agency's purpose regarding your participation in FHA programs?
3. Provide documentation of the source of your agency's current funding, and describe the long-term stability of these funding sources (include funding commitments from other organizations if applicable). Also provide information as to how this funding will be utilized to finance the affordable housing program.
4. How will low and moderate-income persons benefit from your program? How do you plan to transition families and individuals into homeownership in the communities you serve?
5. How will your program be designed to pass along to low-income persons any savings your nonprofit agency may receive from the discounted purchase of a HUD-owned property? How will you ensure that payments are affordable to first time homebuyers?
6. How will you locate the low and moderate-income persons who will participate and benefit from your program?
7. What type of homeownership counseling will be provided to prospective homebuyers, if any? Provide a brief description of the administration of this counseling program.
8. List all properties your nonprofit agency currently owns, has previously owned (within the last three years), rehabilitated (include approximate cost of rehabilitation), and properties that your nonprofit agency manages. Indicate which properties were financed directly or indirectly with HUD funds. Include the date purchased and purchase price, the date on which rehabilitation was completed and rehabilitation costs, the date sold and resale price, as well as demographic information on purchasers.
9. What is the expected dollar amount of developer fees or percentage of selling price you intend to charge on a per unit basis?
10. List the number of units your nonprofit agency expects to purchase and the name of the cities and/or counties where you expect to purchase the majority of the properties.
11. Provide a time line for purchasing, rehabilitating, and selling (or placing in operation) properties you wish to purchase from HUD (use number of days for each phase of the development - actual dates are not necessary).

12. If the nonprofit agency intends to provide a lease-purchase program, provide information relative to the manner in which rent is collected and applied, and whether repair reserves will be utilized to minimize repair costs after purchase.
13. How do you plan to administer and market your affordable housing program in areas at the far reaches of the required 200 mile radius from your organization's relevant office?

*On a separate sheet of paper (on the agency's letterhead), please include the following:*

I certify that the information submitted in response to the "Affordable Housing Program-Format for Narrative" is accurate.

Name of Authorized Nonprofit Agency Representative \_\_\_\_\_  
Signature \_\_\_\_\_  
Date \_\_\_\_\_

**WARNING: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)**

# Nonprofit Financial Capacity Worksheet

Attachment 3

Name of Nonprofit \_\_\_\_\_

- \_\_\_\_\_ The nonprofit (to be a mortgagor) must be on FHA's approved list – If not, it is not eligible.
- \_\_\_\_\_ Last 2 years tax returns; IRS Form 990's.
- \_\_\_\_\_ Fed tax ID # (EIN # entered in the FHA Connection).
- \_\_\_\_\_ Audited Year end Financial Statements; Balance Sheet; Statement of Activity and Statement of Cash Flow along with the treasurer's and auditor's reports.
- \_\_\_\_\_ Most recent 90 day and year-to-date financial statements prepared and certified by a CPA or other financial professional.
- \_\_\_\_\_ Credit reports on the nonprofit and all principals of the nonprofit (executive director or chief operating official).
- \_\_\_\_\_ Check CAIVRS and the LDP and GSA list on the nonprofit and all principals.
- \_\_\_\_\_ Corporate resolution delegating signatory authority.
- \_\_\_\_\_ Schedule of all real estate properties presently owned; include the total monthly payments (PITIs).
- \_\_\_\_\_ Schedule of the proposed properties presently under contract; include amount of proposed mortgage debt and the monthly mortgage payments (proposed PITIs).
- \_\_\_\_\_ Seven-unit limitation addressed.

		Current YTD			
1	Cash balances (Unrestricted funds) (Actual cash or equivalent and short term investments. Inventories & receivables excluded—The funds cannot be restricted to any one fund and are considered "liquid")				
2	Total Cash Balances—Restricted and Unrestricted liquid funds				
3	Total Current Assets—Restricted and Unrestricted assets that can be converted to cash within one year (e. g. cash and near cash equivalents, accounts receivable, marketable securities, prepaid expenses and inventories).				
4	Total Current Liabilities –Restricted and Unrestricted Liabilities that must be paid within one year (e. g. accounts and notes payable, income tax payable, and other short-term debt).				
5	Current Ratio (Current Assets divided by Current Liabilities) (line 3 divided by line 4) (Excluding any lines of credit)				
6	Unrestricted Fund Balance				
7	Total Fund Balance				
8	Total Annual Support & Revenue				
9	Total Annual Expenses (Operating Budget)				
10	Cash Flow from Operating Activities				
11	Total Net Increase or (Decrease) in Cash (Also known as Increase/Decrease in Working Capital)				

## Nonprofit Financial Capacity Worksheet (Page 2)

Name of Nonprofit \_\_\_\_\_ TIN \_\_\_\_\_

A	Total proposed mortgage debt (include all mortgage amount on properties that are under contract and mortgage debt that does not appear on the most recent financial statements in addition to the subject property debt)	-	
B	Total fund balance (7) _____ divided by 25%	-	
C	Total PITI due each month on all mortgages; owned & proposed _____ X 2 months	-	
D	Unrestricted Cash Balance (1) _____	-	

		YES	NO
20	Is B (above) greater than A (above)?		
21	Is D (above) greater than C (above)?		
22	Are significant (positive) increases on the current financial statements reasonable and supported? Note: If not, do not include the current financial statement information in determining #23 through #28.		
23	Are the current year financial statements consistent with previous years?		
24	Is the current ratio (5 above) is greater than 2?		
25	Is the total fund balance (7 above) increasing?		
26	Are the total annual support and revenue accounts (8 above) stable or increasing?		
27	Is the trend of operating expenses (9 above) in line with the support and revenue?		
28	Is the cash flow from operating activities (10 above) stable or increasing?		

Any "NO" answers above require strong compensating factors (supported and documented), also any "NOs" on #22 and #23 need to be explained in order to approve the nonprofit as a mortgagor.

Signature \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## **RECORDKEEPING FOR ON-SITE REVIEW OF NON-PROFIT**

In each property file, the agency must have the following:

- (1) Certified copy of the HUD-1 for the purchase from HUD, and a certified copy of the HUD-1 for the sale of the property to the purchaser.
- (2) Copy of a signed Land Use Restriction Addendum.
- (3) Income verification on the purchaser who bought from the non-profit. This can be in the form of a copy of W-2, pay stubs, employer verification, or tax returns. Record number of dependents to facilitate calculation of low- to moderate-income status.
- (4) Appraisal reports if property purchased as 203(k) or financed with 203(b) or other FHA insurance funds.
- (5) Rehabilitation documents should include:
  - (a) Work write-up/contractor estimate of repair costs
  - (b) \* Draw Requests
  - (c) \* Lien waivers
  - (d) Change orders
  - (e) Inspection of repairs by non-profit
  - (f) Invoices from contractors
  - (g) Copies of payments to contractors
  - (h) \* Final Release Notice

*\*Required on 203(k) only*

(6) If property is leased under an approved Lease/Purchase Program:

- (a) Copies of executed lease
- (b) Income Verification
- (c) Evidence of pro-active work of non-profit to move tenants into homeownership
- (d) Appraisal or document from Independent 3<sup>rd</sup> party to determine Fair Market Rent.

The above information must be retained for 3 years after the property is sold by the nonprofit.

In addition to documents in each individual file, the following should be available for review:

- (1) Bank statements and monthly reconciliations for last 2 years.
- (2) Cancelled checks (front and back) for last 2 years
- (3) Last financial statement and evidence of funding sources
- (4) Rental ledger cards and evidence of receipts/deposits
- (5) General ledger entries for last 2 years
- (6) Contractor licenses and qualification records
- (7) Marketing Plan and evidence of marketing efforts
- (8) Affordable Housing Plan
- (9) Quality Control Plan and monitoring reports